GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1237
ANSWERED ON:02.03.2001
EXPORT CREDIT RULES
AJAY SINGH CHAUTALA

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have relaxed export credit rules to earthquake affected areas of Gujarat; and

(b) if so, the details thereof and the time by which it is likely to be implemented ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b): Yes Sir, Reserve Bank of India vide its circular dated 6th February, 2001 has extended the following concessions to exporters affected by earthquake in Gujarat:

(i) Extension of pre-shipment credit

In cases where shipment is likely to be delayed beyond the specified time due to the calamity, Banks, may, after satisfying themselves of the genuineness of the case, extend pre-shipment credit granted for periods less than 180 days(based on the production cycle) upto 180 days, at the interest rate applicable for the period upto 180 days (10 percent per annum). For the period beyond 180 days and upto 360 days banks may charge the concessional rate applicable for the period beyond 180 days and upto 270 days,(13 percent per annum). Extension of credit beyond 360 days may also be considered, where necessary, on the basis of bank`s commercial judgement and discretion at the rate applicable for Export Credit Not Otherwise Specified(ECNOS)-Pre shipment` and with the approval, of the bank`s Board.
In cases where the pre-shipment credit has been granted in foreign currency, extension beyond 180 days may be allowed as per the actual cost of roll-over instead of applying 2 percent over the rate charged for the period upto 180 days as per extant instructions.

(ii) Conversion of dues into short term loans

Banks may convert the overdue pre-shipment credit, wherever considered necessary, into a short term loan repayable within a reasonable period of time after taking into account the settlement of Export Credit Guarantee Corporation (ECGC) claim, if any, in respect of guarantees taken by the bank. Penal interest should not be charged from the date of advance in case of non-shipment in such cases.

(iii) Application of asset classification norm

Banks need not classify pre-shipment credit granted to the exporters where the period of credit has been extended in terms of paragraph
(i) above or where the pre-shipment credit has been converted into short term loan in terms of paragraph
(ii) above as Non Performing Asset (NPA). The advances will be treated as NPA if the interest and /or instalment of principal remains unpaid for 180 days after it has become overdue taking into account the revised due dates fixed by the banks after extension of the period or conversion of the pre-shipment credit, as the case may be.